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May 1, 2009

Deputy Director of Policy and Programs
CDFI Fund
U.S. Department of the Treasury
601 13th Street, NW, Suite 200 South
Washington, DC 20005

RE: Request for Comment on Capital Magnet Fund Program

Dear Mr. Josephs:

On behalf of the Low Income Investment Fund (LIIF),¹ I appreciate the opportunity to comment on the CDFI Fund's Request for Comments published in the Federal Register on March 6, 2009, regarding the Capital Magnet Fund Program.

LIIF participated with several members of Opportunity Finance Network's (OFN) Capital Magnet Working Group to address all questions posed by the CDFI Fund regarding the Capital Magnet Fund Program. With a few exceptions, discussed below, I encourage you to follow the guidance provided by OFN.

LIIF joined with OFN and with Members of Congress to create the concept for this program based on the experience of the various subsidy programs at the U.S. Department of Housing and Urban Development (HUD) and the CDFI Program. Congress decided to house the Capital Magnet Fund Program at the CDFI Fund rather than HUD because of the CDFI Fund's approach to providing institutional-based rather than project-based funding. The core concept underlying the Capital Magnet Fund Program is to provide capital at the institutional level rather than directly into real estate projects. This successful approach allows federal grants to be deployed more effectively and flexibly to leverage private capital and to achieve larger-scale impact.

The Capital Magnet Fund Program is not a block grant or project-based program. The Capital Magnet Fund Program capitalizes on what CDFIs and nonprofit affordable housing developers

¹ Since 1984, the Low Income Investment Fund (LIIF) has served more than 600,000 people by providing over \$730 million in financing and technical assistance to hundreds of community organizations serving the nation's poorest and hardest-to-reach populations. LIIF's primary program areas are affordable and supportive housing, child care and education benefiting low income people and families. Over its history, LIIF has provided the financing and technical assistance to create and preserve: 54,000 units of affordable housing; over 100,000 child care spaces; 43,000 spaces in schools; and 2.5 million square feet of community facilities and commercial space. Currently, LIIF operates in three regions of the United States: northern California, southern California and the New York City metropolitan area, with offices in four cities: San Francisco, Los Angeles, New York City and Washington, DC.

do best, which is to leverage a small federal investment with other funding. This is essential to the success of the Capital Magnet Fund Program. Again, I stress that the concept for the Capital Magnet Fund Program was based on the CDFI Program and regulations should closely follow the guidance of this program whenever possible. The New Markets Tax Credit Program is not an appropriate model for the Capital Magnet Fund Program. I would also like to emphasize the following points that Opportunity Finance Network made in its comment letter:

- For the purpose of leverage and leverage reporting, non-Capital Magnet Fund financing sources should include both federal and non-federal sources of capital;
- Capital Magnet Fund grants should not be limited to areas of economic distress since the priorities of the program are extremely low-, very low-, and low-income families; and
- Achieving leverage is not a requirement of awarding a grant, but rather a reporting function.

While the OFN comment letter addressed all questions posed by the CDFI Fund regarding the Capital Magnet Fund Program, there are, however, a few questions that you posed in the request for comments that I would like to clarify in greater detail. Specifically:

- *Question: What definition should the CDFI Fund use to assess what constitutes “affordable housing”?* In creating the Capital Magnet Fund Program, existing law provides guidance with respect to “affordable housing” that should be used. The OFN letter points to the definition of “low-income families” found in the Low Income Housing Tax Credit statute, but in our estimation that definition – used alone – will be too limiting in achieving the Capital Magnet Fund Program’s goals of effectively serving the affordable housing needs of underserved communities. However, LIIF strongly encourages the CDFI Fund to adopt the broader definition found in statute² and used more extensively by HUD to determine program eligibility. That definition states, “low-income families means families whose annual incomes do not exceed 80 percent of the median income for the area.” In addition, HUD’s standard definition for “very low income” is 50 percent of area median and for “extremely low income” is 30 percent of area median. We urge the CDFI Fund to adopt these standards and widely used definitions, rather than the specific, narrow and unusual definitions used by the LIHTC and HOME programs.
- *Question: Should this prioritization be incorporated into the standard scoring of the application or should there be separate “priority points” specific to each of the three criteria?* In the OFN letter, we urge the CDFI Fund to consider giving priority points for applicants that seek to provide housing that will serve either extremely low-income households or communities with very-low median incomes or high poverty rates. I would also strongly encourage the CDFI Fund to award bonus points to applicants that can demonstrate a solid track record of leveraging finance of affordable housing. The

² 42 USC 12704

combination of these two priority points will ensure that the Capital Magnet Fund Program meets the affordable housing production goals set forth by Congress.

- *Question: How should “primarily” be defined? What are the appropriate minimum levels of targeting that each project should be required to achieve?* On this question, the OFN guidance may be too prescriptive and could require the CDFI Fund to review awardees at the project-, versus entity-level. The CDFI Fund should follow the guidance found in the Community Reinvestment Act³ and consider “primarily” to mean, equal to or greater than 50 percent of the eligible use is for extremely low-, very low-, and low-income families, and low-income areas at the portfolio, capital pool or capital fund level.

The Capital Magnet Fund Program, which provides enough flexible funding to support a wide variety of housing and community revitalization options and encourages significant leveraging of federal dollars, is likely to be one of the best tools available to help our lowest-income people and neighborhoods survive the current economic crisis. I encourage you to finalize regulations for this program as soon as possible.

Thank you for the opportunity to comment. If you have any questions regarding the above recommendations, please contact LIIF’s Federal Policy Director, Corey Carlisle, at 202.772.3113 or via e-mail at ccarlisle@liifund.org.

Sincerely,



Nancy O. Andrews
President and CEO

³ 12 USC Chapter 30.